



SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
SEPTEMBER 1, 1997 THROUGH FEBRUARY 17, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-46
July 22, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2000

www.auditor.state.mo.us

The following areas of concern were discovered as a result of a review conducted by our office of the Highway Reciprocity Commission.

Under the International Fuel Tax Agreement (IFTA), the Highway Reciprocity Commission (HRC) is responsible for collecting and distributing motor fuel taxes from Missouri based licensees. Under the agreement, each Missouri based over the road carrier is required to hold an IFTA license, file quarterly fuel tax returns, and remit the applicable taxes.

The IFTA agreement states that if the commission exercises its right to require that a bond be posted, the bond should be at least twice the estimated average tax liability. Of the 23 carriers we reviewed which were required to post a bond, eight failed to post a sufficient bond.

As a result of an internal audit, the HRC has established a procedure of completing and filing a reinstatement checklist when reinstating revoked carriers. Although the HRC has established this procedure, we noted that a reinstatement checklist was either not completed at all, or was incomplete for some carriers we reviewed.

Our review of the "IFTA Carriers With A Bond" report revealed that the HRC is holding 27 cash bonds, totaling \$13,500, for accounts that have been closed. Bonds are not automatically refunded when an account is closed. In addition, the HRC is holding bond monies for 36 non-renewed accounts totaling \$18,000.

The HRC mails other jurisdictions a monthly letter notifying the respective jurisdiction of the net amount of fuel taxes due to or from the State of Missouri related to IFTA transactions. Reimbursements received remain in the commission's holding account until the reimbursement documentation has been processed. As of December 1999, reimbursements of approximately \$1 million, dating as far back as March 1998, remained in the holding account.

If the additional registration fees for temporary permits are not received within 20 days of billing, the HRC places the carrier on the Missouri Highway Patrol Bulletin until the fees are paid or for a period of three years. If unpaid for three years these accounts are considered uncollectible, and are written off. The employee responsible for determining which accounts are to be written off is the same employee that bills the carriers and receipts monies.

Concerns were also noted with the edit function of the HRC's computerized receipt system and with the inability of the system to generate a change report.

YELLOW SHEET

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR’S REPORT	1-2
EXECUTIVE SUMMARY.....	3-4
MANAGEMENT ADVISORY REPORT.....	5-9
<u>Number</u>	<u>Description</u>
1.	Missing Funds.....6
2.	Accounting Controls and Procedures.....7
FOLLOW-UP ON STATE AUDITOR’S PRIOR RECOMMENDATIONS.....	10-12



CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Circuit Judge, First Judicial Circuit
and
Circuit Clerk of Clark County, Missouri

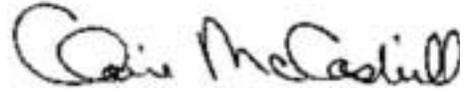
We have conducted a special review of the books, records, and accounts of the Office of Circuit Clerk of Clark County, Missouri. The scope of the special review included, but was not limited to, the period September 1, 1997, through February 17, 1999. The objectives of this review were to:

1. Investigate suspected irregularities in the Fee Account.
2. Determine the amount of court funds misappropriated.
3. Review and evaluate certain controls and procedures regarding the collection of and accounting for various court receipts.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Office of Circuit Clerk, interviewed personnel of the office, and examined other records and documents as we considered necessary for the review.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations concerning the Office of Circuit Clerk of Clark County, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive style with a large initial 'C'.

Claire McCaskill
State Auditor

April 1, 1999 (fieldwork completion date)

EXECUTIVE SUMMARY

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
EXECUTIVE SUMMARY

Weaknesses in the internal control system and record keeping system of the Circuit Clerk's office allowed a shortage of at least \$2,010 of court receipts to occur during the period September 1, 1997, through February 17, 1999.

This misappropriation could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the prior audit findings and the accompanying Management Advisory Report had been established.

Gary Dial serves as Circuit Judge of the First Judicial Circuit. Clark County Circuit Clerk Mary D. Jones receives, records, deposits and disburses monies and reconciles the bank account. Information regarding these shortages has been turned over to the Clark County Sheriff's department and the Missouri State Highway Patrol.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

The Clark County Circuit Clerk oversees the transactions and cases of the Circuit Court and Recorder's office.

During our audit of Clark County we noted discrepancies between amounts received and amounts recorded and deposited into the Clark County Circuit Court Fee Account. This special review was performed to more fully review the circumstances of these discrepancies and to more fully determine the extent of misappropriated court funds.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over receipts handled by the Circuit Clerk's office.

1. Missing Funds

Nineteen receipts totaling \$2,010 were not deposited to the Circuit Clerk's fee account between September 1, 1997 and February 17, 1999. The Circuit Clerk identified \$950 of this shortage and brought it to our attention on December 17, 1998, approximately one month after we began our fieldwork. The Circuit Clerk repaid \$550 of the monies on December 16, 1998, and indicated she was following up on the remaining \$400.

The discrepancies noted above were not detected due to internal control weaknesses, including a lack of segregation of duties and independent reviews. (See Management Advisory Report [MAR] No. 2). Similar shortages, and most of these weaknesses were also noted in our prior report. Had our recommendations been implemented, these shortages could have been prevented or detected.

Information regarding these shortages was turned over to the Clark County Sheriff's department and the Missouri State Highway Patrol.

WE RECOMMEND the Circuit Clerk work with law enforcement officials regarding any criminal prosecution and obtain reimbursement of the remaining \$1,460.

AUDITEE'S RESPONSE

The Circuit Clerk indicated she has repaid an additional \$490 and will repay the remaining \$970. She stated she will cooperate with law enforcement officials.

The Circuit Clerk collected court costs, filing fees, and judgments of approximately \$94,000 in 1998. The following weaknesses were identified in the Circuit Clerk's accounting controls and procedures for the fee account:

- A. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank account are not adequately segregated. Currently, the Circuit Clerk performs all these duties relating to the fee account. When the Circuit Clerk is busy or in court, the deputy clerks receive monies.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. This could be achieved by segregating the functions of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits and an independent review of bank reconciliations.

- B. Receipts are not deposited intact on a timely basis. During the months reviewed, receipts were often deposited only two or three times a month. During several months the Circuit Clerk apparently held all the cash received during the month and deposited it at the end of the month. Deposits of cash ranged from approximately \$200 to \$1,000.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

- C. Receipt slips were not issued for some monies received. During the period September 1, 1997 to February 17, 1999, 14 receipts totaling \$13,310 were deposited, for which receipts slips had not been issued. In addition, it does not appear that receipt slips for other monies were issued at the time money was received. Several instances were noted where receipt slips were issued twice for the same check. While several of these were voided by the clerk, some of these were not identified as errors prior to our audit.

Failure to issue receipt slips for all monies received increases the risk that loss or misappropriation of funds will not be detected in a timely manner.

- D. Receipts and disbursements are not recorded on the cash control ledger or the case fee sheets on a timely basis. As of January 1999, the Circuit Clerk was two months behind. Some monies for which receipts slips were not issued, were also not recorded in the cash control ledger. In addition, many mathematical errors were made in recording receipts and checks, as well as in preparing totals and balances.

A complete and accurate cash control ledger is necessary to provide accountability of funds and facilitate reconciliation procedures between bank and accounting balances.

- E. The Circuit Clerk did not reconcile the bank balance to the cash balance shown on the ledger.

Failure to reconcile bank records to accounting records on a timely basis allowed errors and shortages to occur and not be detected. If this reconciliation had been performed, the discrepancies previously noted could have been identified and investigated in a timely manner.

- F. Monthly listings of open items are not prepared. The reconciled bank balance of the fee account was approximately \$134,000 at January 31, 1999. Preparing accurate listings of open items and agreeing the total with the reconciled cash balance help ensure sufficient assets exist to cover liabilities and all monies are properly recorded and handled. It appears that many of these cases have balances which could be distributed to the county, victims and others.
- G. A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. A complete and accurate accrued costs listing would allow the Circuit Clerk to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.

Conditions D, G, and E were noted in the past two reports, and conditions A, B, C, and F were noted in the prior report.

WE AGAIN RECOMMEND the Circuit Clerk:

- A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Issue receipt slips for all monies received.
- D. Record receipts and disbursements in the cash control ledger accurately and in a timely manner.
- E. Reconcile the cash control ledger to bank records monthly and investigate and resolve any differences on a timely basis.
- F. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance. Any differences should be investigated and resolved.
- G. Maintain a complete and accurate listing of accrued costs and pursue timely collection.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *She plans to change office procedures in October to coincide with office personnel changes. She plans to segregate duties by having whoever is available collect monies and issue receipts. Nightly, the Circuit Clerk will prepare a deposit and tie receipts to deposits. She will have another employee perform monthly bank reconciliations.*
- B. *Deposits are now made daily and a corresponding receipt number is listed by each item for the deposit.*
- C. *She tries to issue a receipt slip for each receipt.*
- D. *She now records receipts on the cash control ledger nightly.*
- E. &
- F. *The Office of State Courts Administrator (OSCA) will be at her office in August to help her establish an open items listing. Once the listing is prepared she will reconcile the open items listing and cash control ledger to the reconciled bank balance.*
- G. *She keeps the fee sheets separate for those cases that have accrued costs. She will talk to OSCA about the possibility of making an accrued cost listing.*

This report is intended for the information of the management of the office of Circuit Clerk of Clark County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

SPECIAL REVIEW OF
OFFICE OF CIRCUIT CLERK
CLARK COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Clark County Circuit Clerk on the recommendations made in the Management Advisory Report (MAR) of our report of Clark County issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the Circuit Clerk should consider implementing these recommendations.

1. Circuit Clerk's Deposits

A receipt slip was issued July 10, 1997, for \$900 cash which could not be traced to a deposit. In addition, other receipt slips and ledger entries of at least \$740 could not be traced to deposits.

Recommendation:

The Circuit Clerk investigate the above noted discrepancies and take the appropriate follow-up action. Any shortage should be reimbursed to the official account.

Status:

Partially implemented. The Circuit Clerk repaid \$900 to the official account in October of 1997, and provided an explanation for one item (\$115) of the \$740 of discrepancies. However, a similar situation was noted in the current audit. See MAR No.1.

2. Circuit Clerk's Accounting Controls

- A. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank account were not adequately segregated.
- B. One receipt book which included five hundred slips issued from May 1996 through February 1997 could not be located.
- C. Receipts were not deposited intact on a timely basis.
- D. Receipt slips are not issued for some monies received.
- E. The cash control ledger was not adequately maintained.
- F. The Circuit Clerk was unable to reconcile the bank balance to the cash control ledger.
- G. Checks were not restrictively endorsed immediately upon receipt.
- H. Monthly listings of open items were not prepared.

- I. A complete listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.

Recommendation:

The Circuit Clerk:

- A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.
- B. Retain all records.
- C. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- D. Issue receipt slips for all monies received.
- E. Record receipts and disbursements in the cash control ledger accurately and in a timely manner.
- F. Reconcile the cash control ledger to bank records monthly and investigate and resolve any differences on a timely basis.
- G. Restrictively endorse checks immediately upon receipt.
- H. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance. Any differences should be investigated and resolved.
- I. Maintain a complete and accurate listing of accrued costs and pursue timely collection.

Status:

A, C,
D, E,
F, H

&I. Not implemented. See MAR No. 2.

B. Not implemented. The indicated receipt slip book has still not been located. Although not repeated in the current report, our recommendation remains as stated above.

G. Implemented.